

and I believe it is important to address the leadership that sits just a few blocks away that is attempting to take this Nation to another level of economic empowerment and change.

It is important, Madam Speaker, to articulate more clearly the purposes of the economic stimulus package and the bankruptcy bill that will come to this floor in just a couple of days. Both of those bills respond to the needs of the average working American. It is important to note that the economic stimulus package has no earmarks and it is to generate jobs and those jobs are to be in the private sector.

Over the last 2 weeks, Madam Speaker, I have sat down in my school districts speaking to each superintendent asking them to establish an economic stimulus task force that would ensure that the dollars that would come through this stimulus package would be, first of all, used to educate our children; would be limited in its use for administrative costs; would be focusing on saving teachers' jobs or creating teachers' jobs; would focus on Title I; and would help modernize schools and hire contractors who would then hire people who are out of work in the private sector. School districts typically don't build or modernize their schools. Those are jobs, \$10 billion in the stimulus package.

Recently I have walked through unemployment offices to focus on getting job training dollars so that people could alter their careers and be able to be prepared for the 21st century workplace, such as being prepared for the green jobs that are also part of the economic stimulus package. Weatherization, \$5 billion for weatherization of our buildings and homes both in the cold weather and the hot weather. Those are jobs, Madam Speaker, that have not been created before. They are not jobs in the government. They are jobs in the private sector.

Madam Speaker, I went on to meet with the Texas Department of Transportation to ensure that contracts are shovel-ready; that new small businesses and minority businesses and women-owned businesses are being hired, that they are able to be proud of what they put on the Web site and that they actually do create jobs.

Just yesterday, I met with the mayor of Houston, the fourth largest city in the Nation, and the department heads, seeking creatively how we can enhance and beautify distressed areas, depressed areas, both in rural and urban areas, which was the purpose of the President's desire.

By the way, Madam Speaker, I can tell you that earmarks should not be labeled as being fraudulent. They should be transparent. They are not an added expenditure of dollars. They are simply allowing the people of the district, the State of Texas, the State of New York or Mississippi or Georgia or California to be able to assess where those moneys can be used more effectively. But we don't have any earmarks in the stimulus package.

The bankruptcy bill, which has been much maligned in certain areas, and I am very glad we are coming together to think together, is really a bill that responds to the little person, the person who was responsible, the person who really feels that bankruptcy may in fact be a shameful thing to do, but are working every day trying to make ends meet. They are making their payments, but they are falling behind as they try to make those payments.

What it does is it allows a judge to assess whether that person is able to more effectively keep their house if they are able to cram down the amount of the mortgage. But what happens, Madam Speaker, is that if that house is ultimately sold, any profit goes back to the lender. Where is the help for the little guy? Where is the help for the struggling homeowner and American who works every day? It is the bankruptcy court. That will not be a free ride.

In addition, I hope to offer legislation that indicates that if a buyer was manipulated with an adjustable rate or predatory lending, that their missteps in their mortgage, that their faltering, does not impact their credit score, which then ends their ability to be part of the economic resurgence that will come about over the next couple of months and years as we begin to see the economic stimulus package work.

This is not a tough task. I voted against the TARP originally. Money is being given to big banks. But what I believe is we have got to recapitalize our markets and restore our housing market.

Madam Speaker, we are on the right path. Let's do it in unity. Let's not forget the hard-working Americans who now need to have their day by passing the bankruptcy bill and making sure the stimulus package works.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Arizona (Mr. FRANKS) is recognized for 5 minutes.

(Mr. FRANKS of Arizona addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

LIFE ON THE DOWNSIDE OF THE LAFFER CURVE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. MCCLINTOCK) is recognized for 5 minutes.

Mr. MCCLINTOCK. Madam Speaker, the Laffer Curve is a simple but eloquent method of demonstrating how increasing taxes reduces economic productivity until a point of equilibrium is reached when further tax hikes actually reduce revenue. If the tax rate is zero, tax revenues are zero. But if the tax rate is 100 percent, tax revenues also reach zero, because there is no point in working. Thus, every increase in a tax rate produces a progressively

smaller return of tax revenues as people adjust their behavior to reflect the reduced value of their work. When taxes exceed an economic tipping point, revenues begin to fall.

California vividly demonstrated this effect in 1991 when Governor Pete Wilson imposed the biggest State tax increase in American history. That \$7 billion tax hike, a staggering combination of increases in sales and income and car taxes, broke the back of California's economy. While the rest of the Nation's economy expanded, the tax hike put California into a nosedive, including the biggest plunge in retail sales in 30 years. Those taxes brought in barely half of the new revenue that had been predicted and then produced two consecutive years of billion dollar a year declines in State revenues.

Well, Madam Speaker, California is about to get another very expensive lesson in the Laffer Curve, courtesy of a \$13 billion tax increase just approved by Governor Arnold Schwarzenegger. That hike will sock an average family with more than \$1,200 of new taxes.

We should watch California's experience very carefully in the days ahead, because it is going to be a harbinger of the impact that we can expect under President Obama's proposed tax increases. Although California already has the highest sales tax in the Nation, it is about to go up by 13 percent, or a penny on the dollar. Although California has the highest income tax in the Nation, it is about to go up another quarter percent. Although California's sales tax is the second biggest generator of revenue for the State and automobile sales comprise a fifth of all sales taxes, the State has also doubled the car tax and is lobbying for new regulations which will increase the price of a new car by as much as \$5,000.

Benjamin Franklin said that "experience keeps a dear school, but fools will learn in no other." Appropriately, the California tax increases will take effect on April Fool's Day, illustrating that some people don't even learn from experience.

But perhaps some good will come of it for the Nation. If California's experience with the Wilson tax increases is any indication, the impact of the Schwarzenegger tax hike is likely to be immediate and devastating. I believe it could serve as an invaluable lesson for the Obama administration, which last week announced a whopping tax increase of \$1.4 trillion over the next 10 years, averaging about \$1,800 per family per year.

Now, I know, the President promises these taxes will only fall on the "very wealthy," those folks who earn \$125,000 as individuals or \$250,000 as couples. But the fact is that 65 percent of those folks aren't really folks at all. They are small businesses that are the very foundation of our economy, many of which are barely holding on as it is. The other tax will directly hammer families with higher energy and consumer prices through a \$656 billion carbon tax.